



CONNECTICUT

TESTIMONY OF NATIONAL FEDERATION OF INDEPENDENT BUSINESS (NFIB) REGARDING

PREVAILING WAGE REFORMS: SB-113; SB-114; SB-180; SB-181; SB-182; HB-5071; HB-5072;
HB-5074; HB-5075; HB-5076; HB-5878; HB-5879; HB-5208; HB-5209; HB-5440; HB-5441;
HB-5510; HB-5511; HB-5515; HB-5516; HB-5613; HB-6250; HB-6251; HB-6650; HB-6666

BEFORE THE
LABOR & PUBLIC EMPLOYEES COMMITTEE
MIDDLETOWN CITY HALL, MIDDLETOWN, CT
FEBRUARY 24, 2015

A non-profit, non-partisan organization founded in 1943, NFIB is Connecticut's and the nation's leading small-business association. In Connecticut, NFIB represents thousands of members and their employees. NFIB membership is scattered across the state and ranges from sophisticated high technology enterprises to "Main Street" small businesses to single-person "Mom & Pop" shops that operate in traditional ways. NFIB's mission is "To promote and protect the right of its members to own, operate, and grow their businesses." On behalf of those small- and independent- job-providers in Connecticut, NFIB/Connecticut offers the following comments:

NFIB/Connecticut is generally supportive of the intent and the concepts contained in the various prevailing wage reform bills before the Committee this evening.

Small business owners know that employees and customers are their most valuable resource. Small business owners work hard to train and retain good employees by creating a rewarding workplace, and make sure that they deliver exceptional products and services to their customers. However, government rules and regulations have made labor issues more complicated than ever for small business owners, which in turn hurts not only the business owner, but also their employees and customers. Small businesses operate differently than large businesses; they do not have human-resources departments to track the changing standards and mandates that affect their workforce and workplace. They often simply do not have the capacity to attempt to comply with what is perceived as significant barriers to doing business. As such, generally, NFIB urges the legislature to simplify the employment process for small businesses, eliminate burdensome mandates and prevent cumbersome regulations that in effect inhibit job creation. In Connecticut, small business owners - both those in the construction industry and at large - consistently cite the state's prevailing wage laws as an area that is ripe for simplification and reform.

The construction industry found itself at the epicenter of this current recession. Typically construction helps lead economic recoveries, but due to the unique origins of this particular recession (i.e. over-supply of housing, economic slowdown, complex financial products), construction continues to lag. In response to the recession, both federal and state governments tried to stimulate the economy by funding public infrastructure projects. However, it appears that small construction companies find that winning these projects is difficult (for those that choose to even bid). Among small business owners in the construction industry, this problem



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is ranked 43rd vs. 69th of the general small business population. In 2008, construction owners ranked this problem 61st. (See 2012 *Small Business Problems & Priorities*, NFIB Research Foundation).

In addition to the issue of winning bids for public jobs, certain other problems are more burdensome in this industry than in the general small business population. The problem of "poor earnings" ranks 8th vs. 14th; while the problem of "poor sales" ranks 18th vs. 24th.

Small business owners also continuously cite problems complying with burdensome government regulations, including "paperwork", and specifically cite "state and local paperwork" burdens. In 2012, this problem ranked 16th among all small business problems, up five places since 2008, and nearly 20% of all small business owners deemed this problem as "critical". This problem ranks 14th among owners in the construction industry.

Finally, putting the construction industry aside, "property taxes" ranks as the 9th most important problem to small businesses overall, with nearly 25% of all small business owners deeming this problem as "critical".

Clearly the aforementioned small business problems are applicable to the issues surrounding Connecticut's prevailing wage laws, which in effect cause small and minority-owned businesses to be discouraged from bidding on public projects by the complex and burdensome rules required by the state to be a participant, while simultaneously serving to drive up costs at the municipal level, and in turn, local property taxes on small businesses and residents. NFIB/Connecticut feels that increasing the current thresholds is long overdue as there has not been an increase in the thresholds in over twenty years; and all-the-while labor and materials costs have dramatically escalated. When NFIB/Connecticut members were surveyed specifically as to this issue, a majority of respondents indicated that they supported increasing the thresholds and indexing the thresholds for the future. Specifically, NFIB/Connecticut would like to see a single threshold, initially set to at least \$1,000,000 – not a large project by government standards – to encourage more small businesses to bid. In addition, NFIB/Connecticut recommends that an automatic escalator accompany any increase in the threshold or indexing provision to keep pace with inflation moving forward. NFIB/Connecticut feels that this would be a positive step and a fair approach to take to help address the concerns raised by small businesses, contractors and taxpayers alike.

In addition, liability concerns fostered among small business owners, both real and perceived, should be addressed. NFIB/Connecticut would support "safe harbor" provisions, which would serve to protect small business owners from being fined or prosecuted for making small or inadvertent mistakes with regard to various paperwork and administrative requirements attendant to prevailing wage jobs.

Thank you for the opportunity to comment.